

Direct Testimony

of

Bryan C. Sant

Accounting Department

Financial Analysis Division

Illinois Commerce Commission

Peoples Gas Light & Coke Company

Docket No. 03-0162

January 22, 2004

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1 **Witness Identification**

2 **Q. Please state your name and business address.**

3 A. My name is Bryan C. Sant. My business address is 527 East Capitol Avenue,
4 Springfield, Illinois 62701.

5 **Q. By whom are you employed and in what capacity?**

6 A. I am currently employed as an Accountant in the Accounting Department of the
7 Financial Analysis Division of the Illinois Commerce Commission ("ICC" or
8 "Commission").

9 **Q. Please describe your professional background and affiliations.**

10 A. I am a Certified Public Accountant licensed to practice in the State of Illinois. I
11 received a Bachelor of Business Administration degree with a double major in
12 Accounting and Finance, and hold a Masters of Business Administration degree
13 with an Accounting Emphasis from Idaho State University. I joined the Staff of
14 the Illinois Commerce Commission ("Staff") in May 2000. Prior to joining Staff, I
15 was employed as an auditor with a national CPA firm for one and a half years.

16 **Q. Have you previously testified before any regulatory bodies?**

17 A. Yes. I have testified on several occasions before the Commission.

18 **Purpose of Testimony**

19 **Q. What is the purpose of your testimony in this proceeding?**

A. The purpose of my testimony is to present my position on Peoples Gas Light and Coke Company's ("Peoples" or "Company") September 2002 Rider 11 Report to the Illinois Commerce Commission, which describes the costs and revenues attributable to the Company's environmental activities for the year ended September 30, 2002. Specifically, my testimony addresses the following actions by Peoples under Rider 11: the incremental costs deferred, the prudence of the incremental costs, the carrying charges accrued, and the recoveries collected.

Q. Are you sponsoring any schedules as a part of your direct testimony?

A. Yes. I prepared the following schedules for the Company, which are attached to this testimony:

Schedule 1.01 Incremental Costs by Function and Suffix

Schedule 1.02 Total Recoveries

Schedule 1.03 Cumulative Over (Under) Recovery

Incremental Costs

Q. Did you review the incremental costs incurred by Peoples under Rider 11?

A. Yes. I reviewed incremental costs for the twelve-month period ended September 30, 2002.

Q. According to Peoples, what was the total of incremental costs incurred for the twelve-month period ended September 30, 2002?

A. Peoples Exhibit 1 shows net total incremental costs of \$19,209,844 for the period. This amount is derived from the total incremental costs incurred of

\$27,297,033, including carrying charges of \$760,980, reduced by \$8,087,190 from the settlement fund. The total incremental cost of \$19,209,844 includes the \$760,980 in carrying charges.

Q. What is the total amount that Peoples should be allowed to recover for its incremental costs incurred during the twelve-month period ended September 30, 2002?

A. Peoples should be allowed to recover a total of \$18,935,518. This amount is derived from the Company's requested \$19,209,844 less \$274,326.

The adjustment of \$274,326 is to remove \$173,315 for an insurance premium payment and \$101,011 for security guard services. All of these amounts are presented on Schedule 1.01, Incremental Costs by Function and Suffix schedule.

Q. Has Peoples received any recoveries from other potentially responsible parties?

A. No.

Q. Has Peoples received any recoveries from insurance carriers?

A. Yes. On February 26, 1999, the Commission, in Docket No. R-18958, granted Peoples' Request for Special Permission for a revision to Peoples Rider 11 to add provisions relating to the treatment of amounts received from insurance carriers. As a result of this special permission, Peoples established a settlement fund to identify and track the amounts arising from settlements from insurance carriers that are available to pay incremental costs. Under the terms of the

Rider, 50% of such costs are recovered through the settlement fund. Costs incurred since December 1998 have been offset in accordance with this revision to Rider 11.

Q. Please describe Schedule 1.01, Incremental costs by Function and Suffix.

A. Schedule 1.01 is a seven-page schedule, which summarizes by function and suffix the incremental costs incurred by Peoples during the reconciliation period. Schedule 1.01 shows the Staff adjustment from Docket No. 01-0384 which is included in current activity on Line 3. Line 4 reflects the Staff adjustment in Docket No. 02-0175 which will be booked by the Company in FY 2003. The costs for the twelve-month period ended September 30, 2002 is shown on line 6. Staff adjustments and corrections to October 2000 through September 2001, which have not yet been booked by the Company, are shown on Line 8. Staff adjustments to October 2001 through September 2002 activity is shown on line 9, and the cumulative adjusted balance at September 30, 2002 on line 10.

ADJUSTMENTS TO INCREMENTAL COSTS

Q. Are you proposing any adjustments to the Company's 2002 total incremental costs?

A. Yes. I am proposing two adjustments totaling (\$274,326) reflected on Schedule 1.01, page 7, line 7, column AN. One adjustment is to disallow the Environmental Impairment insurance policy premium and the other adjustment is to disallow

security guard expenses. These charges are not appropriate costs for the Company to recover through Rider 11 for the following reasons:

- These are not Incremental Costs of Environmental Activities, and
- These are base rate components and should be recovered through base rates in a general rate proceeding.

Q. Please define the terms Incremental Costs and Environmental Activities.

A. For this proceeding, I have used the definition of Incremental Costs and Environmental Activities provided by Peoples in its Rider 11:

“Incremental costs” means (a) all costs incurred by the Company in connection with environmental activities, which arise from charges, billings, assessments or other liabilities (other than expenses for wages and salaries of the Company’s employees or for services rendered by a corporate affiliate of the Company) or from judgments, orders or decisions (including settlements) by a court, a governmental agency or department, or other adjudicatory or quasi-adjudicatory body, and (b) on and after April 20, 1995, the costs of carrying charges before recovery through rates.

“Environmental activities” means the investigation, testing, removal, disposal, storage, remediation or other treatment of residues associated with manufactured gas operations or with the dismantling of facilities utilized in manufactured gas operations or with other operations that generated substances subject to federal, state or local environmental laws conducted at locations where manufactured gas operations or the dismantling of facilities utilized in manufactured gas operations were at any time conducted.¹

¹ This definition is from the Company's Rider 11, ILL. C. C. Schedule No. 27, Fourth Revised Sheet No. 66, which became effective on July 7, 2000.

Q. Explain why Insurance Premiums should not be recovered through the Riders.

A. Insurance premiums are not an environmental activity as defined above. Specifically, insurance policies are not investigation, testing, removal, disposal, storage, remediation or other treatment of residues costs associated with manufactured gas operations or with the dismantling of facilities utilized in manufactured gas operations. The Environmental Impairment insurance policy guards against potential future environmental liabilities. Although this may be a prudent cost, it is not an environmental activity as defined by Rider 11.

The Environmental Impairment insurance policy is a ten-year policy, with four installments. This payment is the second installment. Insurance premiums are base rate components to be considered for rate recovery in the context of a test year in a general rate proceeding. Therefore, the insurance premium costs should be recovered from base rates, rather than the Rider. My adjustment to disallow the insurance premium payment is for \$173,315 and is reflected on Staff Exhibit 1.00, Schedule 1.01, page 6, column AI.

Q. What types of costs are meant to be recovered through riders?

A. My understanding of riders is that riders are the preferred mechanism to recover prudently incurred coal tar cleanup costs that are fluctuating and difficult to forecast. In the Order on Rehearing for Docket No. 90-0127 regarding recovery mechanisms for coal tar remediation costs, the Commission found:

Given the wide variations in and the difficulties in making forecasts of the scope, costs and timing of coal tar investigation and cleanup

activities, the Commission believes that a rider provides a more accurate and efficient means of tracking costs and matching such costs with recoveries than would any of the base rate recovery proposals presented in this docket.²

The Commission also approved riders as a mechanism for recovery of costs of coal tar investigation and cleanup activities in the North Shore Order Docket No. 91-0010. The following analysis was provided by the Commission:

Noting the "wide variations in and the difficulties in making forecasts of the scope, costs and timing of coal tar investigation and cleanup activities", the Commission approved a rider on the basis that it "provides a more accurate and efficient means of tracking costs and matching such costs with recoveries than would any of the base rate recovery proposals" presented in the case. Docket No. 90-0127, Order on Reh. at 25.

The Commission concludes that proposed Rider 11 will provide an accurate and efficient means of tracking costs and matching such costs with recoveries. As previously stated, the rider employs a rate mechanism like that embodied in North Shore's Rider 15. Rider 11 will allow North Shore to recover the costs of its environmental activities in an administratively-efficient and effective manner as well. For this reason, the Commission approves a rider as the rate mechanism for recovering North Shore's environmental compliance costs.³

The Commission reaffirms the findings in the Order on Rehearing for Docket No.90-0127 and the North Shore Order Docket No. 91-0010 in the CILCO, et al.Order Docket No. 91-0080, by noting the following:

...the Commission believes that, as a general rule, rider mechanisms are preferable to other recovery methods. Given the wide variations in and the difficulties in making forecasts of the scope, costs and timing of coal tar investigation and remediation activities, the Commission believes riders can generally be expected to provide a more accurate and efficient means of

² Order on Rehearing, Docket No. 90-0127, CILCO, August 2, 1991, page 14.

³ Order Docket No. 91-0010, November 8, 1991, page 42.

tracking costs and matching such costs with recoveries than would
base rate recovery methods.⁴

The Environmental Impairment insurance policy premium costs are not difficult to
forecast. The premium costs are supported by an invoice which covers a ten-
year period so the annual amount is not unexpected, volatile, or fluctuating.
“Riders are useful in alleviating the burden imposed upon a utility in meeting
unexpected, volatile, or fluctuating expenses.” A. Finkl & Sons Co. v. Illinois
Commerce Comm’n, 250 Ill. App. 3d 317, 327, 620 N.E. 2d 1141, 189 Ill. Dec.
824 (1993). Therefore, to provide recovery of the insurance premium cost
through the coal tar rider would be inappropriate and would provide a double
recovery of this cost.

**Q. How can there be a double recovery of the Environmental Impairment
insurance premium since those costs were not incurred until 2001, a year
of no general rate case activity for the Company?**

A. Any general rate case for the Company would include in its test year, a normal
level amount of insurance premium expenses to be recovered in the rates set for
that proceeding. While this specific insurance policy was not purchased at the
time of the Company’s last general gas rate proceeding, those revenue
requirements included insurance premiums at that time. Therefore, to include this
specific insurance premium in the coal tar riders as well as base rates is to allow
double recovery.

⁴ Order Docket No. 91-0080, CILCO, et al, September 30, 1992, page 65.

Q. Please explain your second adjustment, which disallows security guard expense at the South Station site.

A. I am also disallowing costs for security guards. This adjustment is \$101,011 and is reflected on Staff Exhibit 1.00, Schedule 1.01, page 3, column S. The Company uses the same security guards who it contracts with for normal utility operations and operation sites, i.e. checking doors, keeping the Company's personnel and property safe. Specifically, security guards at remediation sites are typically used to control access and prevent trespassing. Similar to the discussion of Environmental Impairment Insurance above, even though security guard expenses may be necessary and prudent, the security guard expenses are not actual "investigation, testing, removal, disposal, storage, remediation or other treatment of residues associated with manufactured gas operations or with the dismantling of facilities utilized in manufactured gas operations" expenses.

As also discussed above, riders are the preferred mechanism to recover prudently incurred coal tar cleanup costs that are fluctuating and difficult to forecast. As remediation activities at specific sites are thoroughly planned in advance, there is no indication that security guards expense is an overly difficult cost to forecast.

Consequently, because security guard costs do not meet the criteria for environmental activities, nor do they fit the disposition of costs that are wildly fluctuating and difficult to predict, these costs are more appropriately recovered through base rates than through Rider 11.

206 **Prudence Review**

207 **Q. Did you review the prudence of the incremental costs for environmental**
208 **activities incurred by Peoples during the twelve-month period ended**
209 **September 30, 2002?**

210 A. Yes. In the Order on Rehearing for Docket No. 90-0127, the Commission
211 adopted four standards to review the prudence of expenditures for environmental
212 activities.⁵ The Commission affirmed these same four standards in the Order for
213 Docket Nos. 91-0080 through 91-0095 (Consolidated).⁶ I based my evaluation of
214 the Company's incremental costs for environmental activities on these four
215 standards:

- 216 (1) reasonable and appropriate business standards,
217 (2) the requirements of other relevant state and/or federal authorities,
218 (3) minimization of costs to ratepayers, consistent with safety, reliability and
219 quality assurance, and
220 (4) facts and knowledge the Company knew or reasonably should have
221 known at the time the expenditures were made.

222 **Q. As a result of your review, did you discover any incremental costs for**
223 **environmental activities incurred by Peoples during the twelve-month**
224 **period ended September 30, 2002, that did not meet the previously listed**
225 **standards of prudence?**

⁵ Order on Rehearing, Docket No. 90-0127, Central Illinois Light Company, August 2, 1991, pp. 25 and 26.

⁶ Order, Docket Nos. 91-0080 through 91-0095 (Consolidated), Central Illinois Light Company *et al.*, September 30, 1992, pp. 78 through 81.

226 A. No, nothing has come to my attention to indicate that there are any incremental
227 costs incurred by Peoples during the twelve-month period ended September 30,
228 2002 that do not meet the four previously listed standards of prudence.

229 **Q. Has Peoples prepared any additional information pertaining to the**
230 **prudence of its environmental activities?**

231 A. Yes. In response to Staff Data Requests SDR-1.001 through SDR-1.022,
232 Peoples provided additional information on prudence. Peoples should enter
233 these responses as evidence in this proceeding.

234 **Carrying Charges**

235 **Q. Has Peoples accrued any carrying charges in the period commencing**
236 **October 1, 2001 and ending September 30, 2002?**

237 A. Yes. Peoples accrued \$760,980 in carrying charges calculated on its
238 unrecovered balances from October 1, 2001 through September 30, 2002.

239 **Q. Are you proposing any adjustments to these carrying charges?**

240 A. No, I am not.

241 **Recoveries**

242 **Q. During the twelve-month period ended September 30, 2002, what was the**
243 **total amount of the recoveries that Peoples collected through Rider 11?**

244 A. Peoples collected \$5,887,670 through Rider 11 during the twelve-month period
245 ended September 30, 2002.⁷

246 **Q. Did Peoples collect its recoveries in accordance with the terms of Rider**
247 **11?**

248 A. Yes.

249 **Q. What is the total cumulative amount of recoveries collected by Peoples**
250 **since the inception of Rider 11?**

251 A. Peoples has collected a total of \$22,326,478 through September 30, 2002. This
252 amount is aggregated on my Schedule 1.02, Total Recoveries.

253 **Q. At September 30, 2002, what was the total amount of incremental costs that**
254 **Peoples has not yet recovered?**

255 A. At September 30, 2002, Peoples has not yet recovered \$17,927,458. This
256 amount is calculated by subtracting the \$22,326,478 in Total Recoveries through
257 September 30, 2002⁸ from the \$40,253,936 in cumulative corrected incremental
258 costs at September 30, 2002. These amounts are shown on my Schedule 1.03.

259 **Recommendation**

260 **Q. What is your recommendation?**

⁷ Peoples Exhibit 2

⁸ ICC Staff Exhibit 1.00, Schedule 1.02, line 3.

261 A. I recommend that the Commission accept the reconciliation of revenues collected
262 under the Rider 11 factor with the actual costs of coal tar clean up costs as
263 reflected on ICC Staff Exhibit 1.00, Schedule 1.03.

264 **Conclusion**

265 **Q. Does this conclude your prepared direct testimony?**

266 A. Yes, it does.

The Peoples Gas Light and Coke Company
Incremental Costs by Function and Suffix
As of September 30, 2002

Line Number	Description	7766-01	7766-02	7766-03	7766-04	7766-05	7766-06
	(A)	(B)	(C)	(D)	(E)	(F)	(G)
1	Cumulative balance at September 30, 2001 Per Commission Order Docket No. 02-0175	\$ 166,476.88	\$ 589,054.82	\$ 6,538,897.59	\$ 560,567.82	\$ 249,057.26	\$ 457,681.96
2	Reconciling Items:						
3	FY 00 Ordered Adjustment (Company has recorded in current year activity, line 6)						
4	FY 01 Ordered Adjustment (Company has not recorded in current year activity)	-	-	-	-	-	-
5	Subtotal: Cumulative Balance at September 30, 2001 per Company Filing	166,476.88	589,054.82	6,538,897.59	560,567.82	249,057.26	457,681.96
6	Oct '01 through Sep '02 activity	71,672.73	-	228,756.50	9,259,132.87	132,789.95	14,125.47
7	Cumulative balance at September 30, 2002 per Company Filing	238,149.61	589,054.82	6,767,654.09	9,819,700.69	381,847.21	471,807.43
8	FY 01 Ordered adjustment, Docket No. 02-0175						
9	Staff adjustments						
10	Cumulative adjusted balance per Staff at September 30, 2002	<u>\$ 238,149.61</u>	<u>\$ 589,054.82</u>	<u>\$ 6,767,654.09</u>	<u>\$ 9,819,700.69</u>	<u>\$ 381,847.21</u>	<u>\$ 471,807.43</u>

The Peoples Gas Light and Coke Company
Incremental Costs by Function and Suffix
As of September 30, 2002

Line Number	Description	7766-07	7766-08	7766-09	7766-10	7766-11	7766-12
	(A)	(H)	(I)	(J)	(K)	(L)	(M)
1	Cumulative balance at September 30, 2001 Per Commission Order Docket No. 02-0175	\$ 17,655.40	\$ 304,251.53	\$ 70,109.24	\$ 2,536,315.27	\$ 42,066.72	\$ 17,824.26
2	Reconciling Items:						
3	FY 00 Ordered Adjustment (Company has recorded in current year activity, line 6)						
4	FY 01 Ordered Adjustment (Company has not recorded in current year activity)	-	-	-	-	-	-
5	Subtotal: Cumulative Balance at September 30, 2001 per Company Filing	17,655.40	304,251.53	70,109.24	2,536,315.27	42,066.72	17,824.26
6	Oct '01 through Sep '02 activity	158,655.21	288,853.72	91,939.30	191,719.56	3,882.17	-
7	Cumulative balance at September 30, 2002 per Company Filing	176,310.61	593,105.25	162,048.54	2,728,034.83	45,948.89	17,824.26
8	FY 01 Ordered adjustment, Docket No. 02-0175						
9	Staff adjustments						
10	Cumulative adjusted balance per Staff at September 30, 2002	<u>\$ 176,310.61</u>	<u>\$ 593,105.25</u>	<u>\$ 162,048.54</u>	<u>\$ 2,728,034.83</u>	<u>\$ 45,948.89</u>	<u>\$ 17,824.26</u>

The Peoples Gas Light and Coke Company
Incremental Costs by Function and Suffix
As of September 30, 2002

Line Number	Description	7766-13	7766-14	7766-15	7766-16	7766-17	7766-18
	(A)	(N)	(O)	(P)	(Q)	(R)	(S)
1	Cumulative balance at September 30, 2001 Per Commission Order Docket No. 02-0175	\$ 1,401,456.77	\$ 647,269.56	\$ 1,429,470.92	\$ 48,027.93	\$ 68,890.04	\$ 1,708,637.83
2	Reconciling Items:						
3	FY 00 Ordered Adjustment (Company has recorded in current year activity, line 6)						7,491.73
4	FY 01 Ordered Adjustment (Company has not recorded in current year activity)	-	-	-	-	-	16,052.98
5	Subtotal: Cumulative Balance at September 30, 2001 per Company Filing	1,401,456.77	647,269.56	1,429,470.92	48,027.93	68,890.04	1,732,182.54
6	Oct '01 through Sep '02 activity	1,185,770.38	311,312.25	235,784.41	9,600.91	85,683.20	7,458,170.55
7	Cumulative balance at September 30, 2002 per Company Filing	2,587,227.15	958,581.81	1,665,255.33	57,628.84	154,573.24	9,190,353.09
8	FY 01 Ordered adjustment, Docket No. 02-0175						(16,052.98)
9	Staff adjustments						(101,010.95)
10	Cumulative adjusted balance per Staff at September 30, 2002	<u>\$ 2,587,227.15</u>	<u>\$ 958,581.81</u>	<u>\$ 1,665,255.33</u>	<u>\$ 57,628.84</u>	<u>\$ 154,573.24</u>	<u>\$ 9,073,289.16</u>

The Peoples Gas Light and Coke Company
Incremental Costs by Function and Suffix
As of September 30, 2002

Line Number	Description	7766-19	7766-20	7766-21	7766-22	7766-23	7766-24
	(A)	(T)	(U)	(V)	(W)	(X)	(Y)
1	Cumulative balance at September 30, 2001 Per Commission Order Docket No. 02-0175	\$ 41,364.23	\$ 14,606.71	\$ 39,559.13	\$ 191,389.36	\$ 16,145.58	\$ 340,954.65
2	Reconciling Items:						
3	FY 00 Ordered Adjustment (Company has recorded in current year activity, line 6)						
4	FY 01 Ordered Adjustment (Company has not recorded in current year activity)	-	-	-	-	-	-
5	Subtotal: Cumulative Balance at September 30, 2001 per Company Filing	41,364.23	14,606.71	39,559.13	191,389.36	16,145.58	340,954.65
6	Oct '01 through Sep '02 activity	30.58	2,938.02	275,599.07	654,156.17	6,058.26	56,461.19
7	Cumulative balance at September 30, 2002 per Company Filing	41,394.81	17,544.73	315,158.20	845,545.53	22,203.84	397,415.84
8	FY 01 Ordered adjustment, Docket No. 02-0175						
9	Staff adjustments						
10	Cumulative adjusted balance per Staff at September 30, 2002	<u>\$ 41,394.81</u>	<u>\$ 17,544.73</u>	<u>\$ 315,158.20</u>	<u>\$ 845,545.53</u>	<u>\$ 22,203.84</u>	<u>\$ 397,415.84</u>

The Peoples Gas Light and Coke Company
Incremental Costs by Function and Suffix
As of September 30, 2002

Line Number	Description	7766-25	7766-26	7766-27	7766-28	7766-29	7766-30
	(A)	(Z)	(AA)	(AB)	(AC)	(AD)	(AE)
1	Cumulative balance at September 30, 2001 Per Commission Order Docket No. 02-0175	\$ 90,725.27	\$ 86,605.19	\$ 72,454.70	\$ 764,001.56	\$ 1,842,653.93	\$ -
2	Reconciling Items:						
3	FY 00 Ordered Adjustment (Company has recorded in current year activity, line 6)						
4	FY 01 Ordered Adjustment (Company has not recorded in current year activity)	-	-	-	-	-	-
5	Subtotal: Cumulative Balance at September 30, 2001 per Company Filing	90,725.27	86,605.19	72,454.70	764,001.56	1,842,653.93	-
6	Oct '01 through Sep '02 activity	(2,058.92)	108,541.62	77,771.11	80,753.23	4,675,070.56	-
7	Cumulative balance at September 30, 2002 per Company Filing	88,666.35	195,146.81	150,225.81	844,754.79	6,517,724.49	-
8	FY 01 Ordered adjustment, Docket No. 02-0175						
9	Staff adjustments						
10	Cumulative adjusted balance per Staff at September 30, 2002	<u>\$ 88,666.35</u>	<u>\$ 195,146.81</u>	<u>\$ 150,225.81</u>	<u>\$ 844,754.79</u>	<u>\$ 6,517,724.49</u>	<u>\$ -</u>

The Peoples Gas Light and Coke Company
Incremental Costs by Function and Suffix
As of September 30, 2002

Line Number	Description	7766-31 (AF)	7766-70 (AG)	7766-80 (AH)	7766-90 (AI)	Totals Before Carrying Charges (AJ)	7762-01 (Carrying Charges) (AK)
1	Cumulative balance at September 30, 2001 Per Commission Order Docket No. 02-0175	\$ -	\$ 72,422.93	\$ 9,749,272.37	\$ 577,009.63	\$ 30,752,877.04	\$ 1,299,274.97
2	Reconciling Items:						
3	FY 00 Ordered Adjustment (Company has recorded in current year activity, line 6)			1,350.00		8,841.73	
4	FY 01 Ordered Adjustment (Company has not recorded in current year activity)	-	-	205.00	-	16,257.98	-
5	Subtotal: Cumulative Balance at September 30, 2001 per Company Filing	-	72,422.93	9,750,827.37	577,009.63	30,777,976.75	1,299,274.97
6	Oct '01 through Sep '02 activity	-	-	482,087.61	390,796.03	26,536,053.71	760,979.74
7	Cumulative balance at September 30, 2002 per Company Filing	-	72,422.93	10,232,914.98	967,805.66	57,314,030.46	2,060,254.71
8	FY 01 Ordered adjustment, Docket No. 02-0175			(205.00)		(16,257.98)	
9	Staff adjustments				(173,315.00)	(274,325.95)	
10	Cumulative adjusted balance per Staff at September 30, 2002	\$ -	\$ 72,422.93	\$ 10,232,709.98	\$ 794,490.66	\$ 57,023,446.53	\$ 2,060,254.71

The Peoples Gas Light and Coke Company
Incremental Costs by Function and Suffix
As of September 30, 2002

Line Number	Description	Totals Including Carrying Charges	Total Recovery Through Settlement Fund - Suffix 7766-95	Totals Including Carrying Charges and Recoveries through Settlement Fund	Source
	(A)	(AL)	(AM)	(AN)	(AO)
1	Cumulative balance at September 30, 2001 Per Commission Order Docket No. 02-0175	\$ 32,052,152.01	\$ 10,742,575.69	\$ 21,309,576.32	Docket No 02-0175, ICC Staff Ex. 1.00, Sch. 1.01, line 8
2	Reconciling Items:				
3	FY 00 Ordered Adjustment (Company has recorded in current year activity, line 6)	8,841.73		8,841.73	Order in Docket No. 01-0384
4	FY 01 Ordered Adjustment (Company has not recorded in current year activity)	<u>16,257.98</u>	<u>-</u>	<u>16,257.98</u>	Order in Docket No. 02-0175
5	Subtotal: Cumulative Balance at September 30, 2001 per Company Filing	32,077,251.72	10,742,575.69	21,334,676.03	Docket No. 02-0175, Peoples Gas Exhibit 1, p. 11
6	Oct '01 through Sep '02 activity	<u>27,297,033.45</u>	<u>8,087,189.76</u>	<u>19,209,843.69</u>	Peoples Gas Exhibit 1, p. 12
7	Cumulative balance at September 30, 2002 per Company Filing	59,374,285.17	18,829,765.45	40,544,519.72	Peoples Gas Exhibit 1, p. 12
8	FY 01 Ordered adjustment, Docket No. 02-0175	(16,257.98)		(16,257.98)	Docket No 02-0175, ICC Staff Ex. 1.00, Sch. 1.01, line 7
9	Staff adjustments	(274,325.95)		(274,325.95)	(\$173,315 Insurance Premium, \$101,011 Security Guard Expense)
10	Cumulative adjusted balance per Staff at September 30, 2002	<u>\$ 59,083,701.24</u>	<u>\$ 18,829,765.45</u>	<u>\$ 40,253,935.79</u>	

The Peoples Gas Light and Coke Company
Total Recoveries
As of September 30, 2002

Line Number	Description (A)	Total (B)	Source (C)
1	Total recoveries through September 30, 2001	\$ 16,438,807.17	Docket 02-0175, Staff Exhibit 1.00, Schedule 1.02
2	Recoveries during the twelve-month period ended September 30, 2002	<u>5,887,670.34</u>	Peoples Gas Exhibit 2
3	Total recoveries through September 30, 2002	<u>\$ 22,326,477.51</u>	Line 1 plus line 2

The Peoples Gas Light and Coke Company
Cumulative Over (Under) Recovery
As of September 30, 2002

Line No.	Description (A)	Cumulative Recoveries (B)	Cumulative Costs (C)	Cumulative Over (Under) Recoveries (D) = (B) - (C)
1	Cumulative (Under) Recovery as September 30, 2001	<u>\$ 16,438,807.17</u> ¹	<u>\$ 21,309,576.32</u> ¹	<u>\$ (4,870,769.15)</u> ¹
2	Oct '01 through Sep '02 activity	<u>5,887,670.34</u> ²	<u>19,209,843.69</u> ³	(13,322,173.35)
3	Staff Adjustment	<u>-</u>	<u>(274,325.95)</u> ⁴	<u>274,325.95</u> ⁴
4	Oct '01 through Sep '02 activity per Staff	<u>5,887,670.34</u>	<u>18,935,517.74</u>	<u>(13,047,847.40)</u>
5	FY 00 Adjustment included in Line1	-	8,841.73 ⁵	(8,841.73) ⁵
6	Cumulative Corrected (Under) Recovery	<u>\$ 22,326,477.51</u>	<u>\$ 40,253,935.79</u>	<u>\$ (17,927,458.28)</u>

Sources:

¹ Order in Docket No. 02-0175

² People's Gas, Exhibit 2

³ People's Gas, Exhibit 1, page 11

⁴ Staff Exhibit 1, Schedule 1.01, Line 9

⁵ Staff Exhibit 1, Schedule 1.01, Line 3

**STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION**

ILLINOIS COMMERCE COMMISSION	:	
On Its own Motion	:	
-vs-	:	
THE PEOPLES GAS LIGHT AND COKE COMPANY	:	03-0162
	:	
Reconciliation of revenues collected under Coal Tar	:	
riders with prudent costs associated with coal tar	:	
clean up expenditures.	:	

NOTICE OF FILING

TO ATTACHED SERVICE LIST:

YOU ARE HEREBY NOTIFIED that we have, on this 22nd day of January 2004 forwarded to the Chief Clerk of the Illinois Commerce Commission for filing in the above-captioned docket, the Direct Testimony of the Illinois Commerce Commission Staff Witness Bryan Sant of the Financial Analysis Division, Accounting Department, a copy of which is hereby served upon you.

Scott A. Struck
Supervisor
Accounting Department
527 East Capitol Avenue
Springfield, IL 62701

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT copies of the foregoing Notice, together with the documents referred to therein, were served upon the parties on the attached Service List, by messenger, electronic mail, facsimile and/or first-class mail, proper postage prepaid from Springfield, Illinois, on this 22nd day of January 2004.

Scott A. Struck
Supervisor
Accounting Department

THE PEOPLES GAS LIGHT AND COKE COMPANY

Docket No. 03-0162

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ILLINOIS COMMERCE COMMISSION

Glennon P. Dolan, Administrative Law Judge
Carolyn Bowers, Accounting Department
Bryan Sant, Accounting Department
Scott Struck, Accounting Department